

Message Text

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ACTION EB-08

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R 271156Z DEC 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 5345

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJ: SELECTED FINANCIAL INDICATORS

REF: A) BRASILIA 9123 B) BRASILIA 10048 C) BRASILIA 10400

1. FOREIGN TRADE - FINANCE MINISTER SIMONSEN ANNOUNCED AN ESTIMATED TRADE DEFICIT OF \$100 MILLION IN NOVEMBER. THE DEFICIT IN OCTOBER WAS \$58 MILLION. DEFICITS IN THE LAST FOUR MONTHS REDUCED THE CUMULATIVE TRADE SURPLUS THROUGH NOVEMBER TO AN ESTIMATED \$82 MILLION. SIMONSEN HAS EXPRESSED OPTIMISM WITH RESPECT TO COFFEE SHIPMENTS IN DECEMBER AND PREDICTS A CUMULATIVE TRADE SURPLUS OF 200-300 MILLION FOR CY 1977.

2. EXCHANGE RESERVES - ACCORDING TO THE MOST RECENT CENTRAL BANK BULLETIN GROSS FOREIGN EXCHANGE RESERVES AMOUNTED TO \$6.2 BILLION AT THE END OF AUGUST. ESTIMATED RESERVES AT MID-DECEMBER WERE \$6.7 BILLION. DEPENDING ON THE RESPONSE OF PRIVATE CAPITAL FLOWS TO THE RECENT MEASURE TO TEMPORARILY STERILIZE FOREIGN LOAN PRECEEDS, GROSS RESERVES AT THE END OF THE YEAR ARE EXPECTED TO BE BETWEEN \$6.7 AND \$7.2 BILLION.

3. EXCHANGE RATE - DEVALUATIONS OF 1.7 PERCENT ON DECEMBER 6

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AND 1.6 PERCENT ON DECEMBER 19 BROUGHT CUMULATIVE DEPRECIATION OF THE CRUZEIRO IN RELATION TO THE U.S. DOLLAR IN 1977 TO 29.9 PERCENT. (SEE REFTELS B AND C.)

4. MONEY SUPPLY - MONETARY EXPANSION (M1) IN NOVEMBER WAS 1.3 PERCENT AND CUMULATIVE INCREASE IN JAN-NOV WAS 21.6 PERCENT. THE RELATIVELY SMALL GROWTH IN THE MONEY SUPPLY IN NOVEMBER

WAS DUE TO THE EFFECT OF THE INCREASED COMPULSORY RESERVE REQUIREMENT FOR COMMERCIAL BANKS. THE NOVEMBER PERFORMANCE LEAVES A MARGIN OF ABOUT 13 PERCENTAGE POINTS IN THE TRADITIONALLY EXPANSIONARY MONTH OF DECEMBER THAT WOULD BE CONSISTENT WITH THE MONETARY AUTHORITIES CURRENT CY 1977 TARGET OF 35 PERCENT.

5. PRICES - GETULIO VARGAS FOUNDATION DATA INDICATE THAT INFLATION AS MEASURED BY THE GENERAL PRICE INDEX WAS 2.6 PERCENT IN NOVEMBER, CUMULATIVE 35.9 PERCENT IN JAN-NOV., AND CUMULATIVE 39.9 PERCENT IN THE 12 MONTHS ENDING IN NOVEMBER 1977. THE WHOLESALE PRICE INDEX ALSO ROSE 2.6 PERCENT IN NOVEMBER AND THE CUMULATIVE INCREASE IN JAN-NOV WAS 32.7 PERCENT. THE RIO COST-OF-LIVING INDEX INCREASED 2.8 PERCENT IN NOV AND 39.9 IN JAN-NOV, STATISTICS FROM THE ECONOMIC RESEARCH INSTITUTE OF THE UNIVERSITY OF SAO PAULO INDICATE THAT THE COST-OF-LIVING IN SAO PAULO ROSE BY 2.9 PER CENT IN NOV AND CUMULATIVE 37.3 PERCENT IN THE ELEVEN MONTHS OF JAN-NOV 77. JOHNSON

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